Dear Investor

Please note that information regarding companies (issuers) and financial instruments (e.g. shares or bonds) in this investor letter shall not be considered as investment recommendations to buy, sell or hold any financial instruments. Information about companies and financial instruments shall only be considered as information concerning the fund's portfolio and risk profile for that quarter.

The rates market in the US continued its march higher, particularly in the longest tenors, albeit with some retracement by the end of the month. Donald Trump's presidential victory in the US, with a "red sweep" in congress and senate (as well as the courts, indirectly), kept focus on the risks of fiscal distress and even central bank independence over time. The USD remained king and market participants have been racing to estimate potential risks in different spaces stemming from Trump's victory. In China, the announced stimulus measures have not energized investors. The world is bracing for a decidedly US centric focus starting in 2025 but the sequencing and magnitude of any events or market moves is unpredictable. CEMBI returned 0.6% in USD in November (equally matched at ~0.6% between IG and HY) as spread moves remained orderly. Our EUR denominated institutional share class returned 0.2% (gross) and was about 30bps behind its benchmark. Similarly, our USD I and II share classes returned 0.3% (gross) and were about 30bps behind the benchmark.

Asian credits were among the weakest in November with a return of 0.5% (0.7% IG / -0.3% HY) largely driven by weakness in the Adani complex. A new corruption accusation surfaced and the complex traded weak once again. Not many details have been made public and the matter is still unfolding. Our overweight exposure to Indian credits (which were down 0.1% in November), particularly from the Adani complex, contributed negatively to relative performance. Chinese credits delivered a 0.4% return (0.6% IG / -1.3% HY) as the small recovery in rates drove IG stronger by the end of the month but the lack of faith in the support measures announced for the economy, as well as potential risks from a more protectionist US administration, drove HY returns weaker. Our underweight exposure to Chinese credits produced neutral relative performance in the month owing to our footprint in the IG space and avoidance of weaker HY names.

Credits from CEEMEA delivered somewhat higher performance than Asian names with a return of 0.6% (0.5% IG / 0.8% HY). Israeli names caught a bid, returning 1.0% (1.9% IG / 0.7% HY), as a ceasefire was announced with regards to the hostilities taking place in southern Lebanon. It is not clear if compliance by Hezbollah and Israel will be in place or if other forces aligned with Iran will act. In any case, names with operations in risky geographies in the country rallied (e.g. ENOIGA) strongly. Our underweight exposure to Israeli names yielded modest negative relative performance. Credits from Ukraine continued to perform well with a return of about 6.0%. The expectation that a Donald Trump administration can instill a ceasefire or deal in the near term increased hopes of economic reactivation in the country and propelled Ukrainian risk higher in November. Our modest overweight exposure to Ukrainian names yielded neutral relative performance.

LatAm credits came out ahead with a return of 0.7% in November (0.6% IG / 0.8% HY) despite Trump's rhetoric against Mexico, one of the region's largest countries. Much of the potential pain has filtered through the FX market and many of the corporate issuers are relatively insulated from these shocks. Mexican names delivered a return of 0.7% (0.8% IG / 0.7% HY) as IG papers performed toward the end of the month and some HY distressed stories found some relief. Our overweight in Mexican names delivered modest negative returns since we have avoided both extremes in the IG and HY spaces. Brazilian credits returned 0.9% (1.0% IG / 0.8% HY) despite the local controversies surrounding the weakening fiscal trajectory of the government's accounts and the lack of significant spending cuts. Similarly to Mexico, much of the weakness has flowed through the local markets and FX while corporates have remained relatively protected from the shocks. Our modest overweight exposure yielded neutral relative performance.

EM corporate issuance came in at about USD17bn which is not unusual for this time of the year as the market slows down. IG paper only amounted to USD7.5bn of the total and Asian paper took USD9.6bn of the total with the remaining regions evenly split. "Animal spirits" are definitely encouraged after the victory of Donald Trump on the basis of deregulation and lower taxation. Nevertheless, geopolitical uncertainties remain elevated and US fiscal and monetary policies still have left many questions unanswered. EM issuers will be tactical seizing optimal windows for issuance amid what could initially be a volatile period until more clarity is present.

03/12/2024	Return last month (USD)	Return YTD	Yield to Worst	*Last month*	*Δ YTD*	OAS Spread	*Last month*	*Δ YTD*
CEMBI EUR hedged	*0.49*	*6.61*						
EM Corporate Index	0.60	8.23	6.30	0.01	-0.51	209	7	-71
CEMBI Investment grade	0.60	5.86	5.42	-0.04	-0.13	119	4	-36
CEMBI High Yield	0.60	11.77	7.94	0.07	-1.17	377	12	-133
EMBI	1.19	8.07	7.63	-0.10	-0.22	336	-1	-47
EMBI Investment grade	0.55	2.62	5.55	-0.02	0.31	122	8	6
EMBI High Yield	1.81	13.72	10.12	-0.27	-0.87	589	-20	-111
Developed USD IG (JPM)	1.26	4.46	5.22	-0.11	0.08	93	-3	-18
US High Yield Corp (BarCap)	1.15	8.78	7.12	-0.19	-0.47	264	-16	-59
5Y US Treasury bond	0.52	2.81	4.10	-0.11	0.26	n.m.		
10Y US Treasury bond	0.98	1.61	4.21	-0.12	0.33	n.m.		

Returns in USD except CEMBI EUR hedged

Kind regards,

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